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IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

GILBARCO INC.,

Petitioner,

—v.—

OCTEL COMMUNICATIONS CORP.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether, consistent with such cases as *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), and *Masson v. New Yorker Magazine, Inc.*, 501 U.S. 496 (1991), summary judgment may be entered declaring a pioneering voice-mail patent unenforceable on the basis of the district court's factual finding that an inventor's declaration to the Patent and Trademark Office was "simply false" and made with deceptive intent, when there is substantial evidence that the declaration was made honestly with no intent to deceive and, indeed, was truthful?

STATEMENT PURSUANT TO RULE 29.6

Gilbarco Inc. is a wholly-owned subsidiary of The General Electric Company, p.l.c. Gilbarco does not have any subsidiaries which are not wholly-owned.

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No. _____

In The
SUPREME COURT OF THE UNITED STATES
October Term, 1997

GILBARCO INC.
Petitioner,
v.
OCTEL COMMUNICATIONS CORP.
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

Petitioner Gilbarco Inc. respectfully petitions this Court to issue a writ of certiorari to review the Judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The court of appeals did not issue an opinion. The district court's Order and Judgment granting summary judgment to Octel on the issue of inequitable conduct (Appendix, *infra*, at 2a) is not reported. The district court's Order denying Gilbarco's motion to alter or amend (Appendix, *infra*, at 15a) is not reported.

STATEMENT OF JURISDICTION

The court of appeals entered judgment on April 14, 1997 (Appendix, *infra*, at 18a). The court denied a timely petition for a rehearing and suggestion for rehearing *in banc* on May 20, 1997. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254.

STATUTORY PROVISIONS AND REGULATIONS INVOLVED

The relevant statutory provisions and regulations, 35 U.S.C. § 102(b), 37 C.F.R. § 1.56 (1982), 37 C.F.R. § 1.65 (1982), 37 C.F.R. § 1.63 (1983), M.P.E.P. § 2002.01 (1982), and Fed.R.Civ.P. 56, are set forth in the Appendix, *infra*, at 20a.

STATEMENT OF THE CASE

I. Summary of the Delphi Voice Messaging System

This case originates from the invention in the early 1980's of a voice messaging system by Dr. Lawrence Lotito, Ms. Teresa Huxford and Ms. Ann Donaldson, three employees of a subsidiary of Exxon Corp. known as Delphi Communications Corp. *A1447; A5343.*[1] Critical to their system was the development of computer software known as "V-MSG software." *See, e.g., A5155-72.* This software facilitated the integration of several different voice messaging functions to produce the now-ubiquitous service commonly known as "voice mail." *A5072-73.* More particularly, the

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[1] Cited portions of the parties' Joint Appendix that was submitted to the court of appeals are cited as "*A*___."

V-MSG software permitted the automatic recording of voice messages by all callers, as well as the retrieval and forwarding of messages solely by system subscribers using a personal identification number. The Delphi invention was thus a pioneering step in the development of voice mail.[2]

II. Delphi's Activities Before the Critical Date

A. Significance of the Critical Date

If an inventor describes his invention in a printed publication or places it on sale in the United States more than one year before he files an application for a patent, he is barred from obtaining a patent on the invention. 35 U.S.C. § 102(b).[3] Consequently, the date one year before the filing date is often referred to as the "critical date." Here, since the Delphi application which led to the patent-in-suit was filed on November 30, 1982, the critical date is November 30, 1981.

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[2] Indeed, in a report provided to Octel, Gilbarco's expert calculated that the damages and interest in this case alone exceeded $100 million as of mid-1995. However, because this case was abruptly resolved on summary judgment, there was no occasion to put damages evidence into the record, and thus that expert report is not in the record.

[3] This provision serves several purposes, including (1) encouraging the prompt filing of patent applications; (2) preventing inventors from extending the period during which they may exclusively commercialize their inventions; and (3) keeping applicants from obtaining a monopoly on technology which the public has come to believe it is free to use. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); *Envirotech Corp. v. Westech Engineering, Inc.*, 904 F.2d 1571, 1574 (Fed. Cir. 1990).

Two limitations on the scope of § 102(b) are particularly important in this case. First, sales efforts before the critical date are not considered to place an invention "on sale" within the meaning of § 102(b) if the invention is not yet complete at the time of those activities.[4] Second, in order for an invention to be described in a printed publication within the meaning of § 102(b), it is not enough for the publication to simply refer to the invention. Instead, the publication must "enable" one to make the claimed invention, which means it must "sufficiently describe the claimed invention to have placed the public in possession of it."[5] *Paperless Accounting, Inc. v. Bay Area Rapid Transit Sys.*, 804 F.2d 659, 665 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 933 (1987); *Seymour v.*

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[4] This is because such activities do not implicate the policies behind § 102(b). As the Ninth Circuit Court of Appeals explained in *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corp.*, 316 F.2d 459, 465 (9th Cir.), *cert. denied*, 375 U.S. 902 (1963):

> [T]he competitive effectiveness of [sales activity before an invention has been completed], in all probability, will be impaired by the aura of continuing developmental, experimental and testing effort. Moreover, at this stage, such activity is likely to be more for the purpose of eliciting needed changes in design and testing whether the market potential warrants continuance of the project, than to launch full-fledged commercial exploitation.

[5] Thus, a user's manual for a voice mail system would not be enabling. Although the manual would describe the system and its functionality, it would not be sufficient to enable one to build the system.

Osborne, 78 U.S. (11 Wall.) 516, 555 (1870) (publication must contain a disclosure akin to a patent specification in order to be enabling).

B. Development and Patenting of the Delphi Invention

The project which culminated in the Delphi invention was first conceived of by the three inventors in mid-1981. However, the actual writing of the code for the V-MSG software, which is the core of the patented system, did not commence until late in that year. *A3691-93*. Ms. Donaldson, one of the three inventors, testified that the writing of the code had just "barely begun" as of November 30, 1981. *A3674; A3650-51; A3655-56*. Ms. Huxford, another one of the inventors, testified that she had to give up her honeymoon because a significant amount of coding was still being done in early 1982. *A3650*. This coding was not completed until just before a May 1982 trade show in New Orleans. *A3669-70; A3677; A3639-40*. Ms. Donaldson testified that the inventors were working 16 to 18 hours a day to get the system completed prior to that show and that it may not have been finished until the night before the show. *A3676-77*.

Shortly after the New Orleans show, Delphi's outside patent attorney, Gregory Roth, began to prepare a patent application based on the V-MSG software development work. *A1090; A5359-60*. This application was filed in the Patent and Trademark Office ("the PTO") on November 30, 1982. *A51*. The application was a massive, detailed document, consisting of over 1,400 pages, which included text, drawings and software code. *A51-196; A6777*.

Exxon decided to close Delphi in late 1982, *A1101*, which stopped all work on the V-MSG project. *A5342; A8513*. Thus, Delphi never sold any systems utilizing the V-MSG

software. *A4870*. At about the same time, Exxon gave the rights to this patent application to Gilbarco, another one of its subsidiaries. *A45; A199; A4119-24; A4130*. The application issued on November 25, 1986 as U.S. Patent No. 4,625,081 ("the '081 patent"), the patent at issue in this litigation. *A51*. Dr. Lotito left Delphi when it closed in late 1982, and had no involvement in the prosecution of the '081 patent after the application was filed. *A1114*.

C. Sales Activities at Delphi Before the Critical Date

In February 1981, before work on the patented voice messaging system had even begun, Dr. Lotito, Delphi's Vice President of Marketing at the time, discussed the possible sale of a concept known as the "D-VMS" system with Southern Pacific Communications Corp. ("SPCC"). *A3660-61; A4874; A3220; A3635*. At that time, the D-VMS system was precisely that: a *concept*. It had not been developed into a working product, and its design and implementation had not even been contemplated. Dr. Lotito's discussions with SPCC are in part reflected in a document known as the "SPCC Proposal."

The D-VMS system preceded the V-MSG system, but it was never built.[6] D-VMS thus constituted "work in progress."

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[6] Although SPCC did give Delphi a check for $250,000 at one point towards development of a voice messaging system, neither the D-VMS system nor any other system was ever built for SPCC.

D. Printed Publications Distributed By Delphi Before the Critical Date

Before the critical date, documents relating to Delphi's ongoing work on voice messaging systems in very general terms were publicly distributed, both by Delphi and by Dr. Lotito himself. These documents are known as (1) the "D-VMS Brochure," which was distributed by Delphi in September 1981, and (2) the "1981 Probe Paper," which was presented by Dr. Lotito in November 1981. *A4856.* In addition, Delphi may have distributed a document known as the "User's Guide" during this time period. However, these documents did not contain the detailed description of the V-MSG software and system set forth in the '081 patent. Indeed, the coding on the V-MSG software had "barely begun" as of the critical date. *A3674; A3650-51; A3655-56.*

III. Dr. Lotito's Disclosure of Relevant Documents to Delphi's Patent Attorney

Since the patent application process (commonly known as "patent prosecution") is *ex parte* and the PTO has limited resources to devote to examining applications, applicants have a duty to disclose to the PTO information of which they are aware which is relevant to the patentability of their invention. Such information most often consists of patents and publications which existed prior to the applicant's filing date, referred to as "prior art." At the time that the application for the '081 patent was filed in November 1982, applicants were under a duty to disclose to the PTO prior art "where there is a substantial likelihood that a reasonable examiner would consider [the prior art] important" in evaluating patentability. 37 C.F.R. § 1.56(a) (1982). An inventor was permitted to satisfy this duty by disclosing relevant prior art to the patent attorney prosecuting the application. 37 C.F.R. § 1.56(b)

(1982) ("Disclosure to an attorney... shall satisfy the duty, with respect to the information disclosed, of any other individual..."). *See also* M.P.E.P. § 2002.01 (1982).

Dr. Lotito made available to his patent attorney, Mr. Roth, all documents in his or Delphi's possession which might be relevant to the patentability of the voice messaging system he and his two co-workers had invented. As he explained at a deposition taken in this litigation:

> ...I provided the attorneys with all the information that was available in the marketing department, which included my own files, my own contribution to the design.
>
> * * *
>
> I turned over to them all the files that I had, and I also showed them and went through with them in general all of the files in marketing.

A8052-53.

Dr. Lotito's efforts to provide Mr. Roth with all relevant documents are corroborated both by Mr. Roth's testimony, *A1555; A5364*, and by the attorney's subsequent correspondence with Exxon enclosing numerous internal Delphi documents relating to the patented invention which he had obtained from Delphi during prosecution.[7] *A8069-87.*

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[7] Specifically, Mr. Roth returned files to Exxon entitled "Delphi VMS-Correspondence, March, 1981," "Delphi VMS-January through December, 1981," "Sales/presentation Manuals," and "Various Technical Manuals," *A8071*, indicating that Delphi had furnished, *inter alia*, the SPCC Proposal, the D-VMS Brochure and the User's Guide to him. *A8047-48.*

Indeed, the SPCC Proposal, the D-VMS Brochure and the User's Guide were all found in Gilbarco's files relating to the prosecution of the application which led to the '081 patent. These files included the documents which Exxon had received from Mr. Roth in 1989, which had in turn been sent to Gilbarco.

Dr. Lotito summarized his attempts to provide Mr. Roth with all information relevant to patentability as follows:

> Well, it was my understanding that, number one, I gave all information that I had to my counsel, who was representing the company in this patent application, and it's in that regard I felt that I had done what I was responsible for, and then I would respond to whatever he requested.
>
> * * *
>
> My understanding was if I gave my counsel all the information that I had, that I had satisfied the [duty of disclosure] requirements, and I gave no other thought to it than that.

A8521-22.

Many of the Delphi documents provided to Mr. Roth were then disclosed to the PTO in an Information Disclosure Statement (an "IDS") submitted during prosecution of the application for the '081 patent. *A5002-25.* This IDS identified 58 different patents and publications as prior art to Dr. Lotito's voice messaging system. *A5002-25.* Although the IDS did not identify any of the four documents discussed above, it did identify many patents and publications which disclosed similar information, which, in many instances, was more detailed than

the information found in those four documents.[8] *See, e.g., A5007-08; A5011-13; A1623; A1638; A1674-84.*.

IV. Dr. Lotito's Declaration

At the time that the application which led to the '081 patent was filed, Dr. Lotito, along with the other two inventors, submitted a *pro forma* declaration which stated that "to the best of [their] knowledge and belief," the invention "described and claimed in the...specification" of their patent application had not been (1) "described in any printed publication" or (2) "on sale" before the critical date.[9] *A8119.* In other words, the declaration stated that the inventors were not aware of any activities which would bar patentability under § 102(b).

Substantial evidence in the record both supported this declaration and indicated that Dr. Lotito had reason to believe -- and did believe -- his declaration was accurate. As to the "on

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[8] While applicants are required to provide material information to the PTO, not all information of which an inventor is aware is material. The PTO relies on patent attorneys to sort through the often extensive amounts of information available and submit only information that is material and not cumulative. *See Molins p.l.c. v. Textron, Inc.*, 48 F.3d 1172, 1179, 1184 (Fed. Cir. 1995).

[9] All patent applicants were required to make these statements in a declaration under the PTO rules in existence at the time. *See* 37 C.F.R. § 1.65 (1982). Shortly thereafter, this requirement was dropped, and thus applicants are no longer required to state that their inventions had not been on sale or described in printed publications before the critical date. Revision of Patent Practice, 48 Fed. Reg. 2696, 2699-700 (1983). *See also* 37 C.F.R. § 1.63 (1983).

sale" statement, since software coding had only "barely begun" as of the critical date, and since the D-VMS system discussed in the SPCC Proposal was never more than just a concept, Dr. Lotito could reasonably and correctly have believed that the claimed invention was not "on sale" before November 30, 1981 within the meaning of the patent laws, because it was not complete before that date.[10] Indeed, Dr. Lotito specifically testified that he did not offer a product for sale in 1981 because he did not have any product to offer. *A8499-500.*

As to Dr. Lotito's "printed publication" statement, neither the D-VMS Brochure, the User's Guide nor the 1981 Probe Paper contain the detailed description of the V-MSG software and system set forth in the '081 patent.[11] Thus, these three publications did not "describe" the claimed invention within the meaning of § 102(b). Indeed, Dr. Lotito could not reasonably have believed that they "described" in just a few pages what it took more than a thousand pages to describe in his patent application.[12]

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[10] Respondent Octel apparently concurs. Despite the flurry of summary judgment motions in this case, Octel never moved for summary judgment on the theory of anticipation based on the 1981 sales activities at Delphi, even when Gilbarco moved for summary judgment of no anticipation based on those activities. *A19-42.*

[11] Nor do these documents contain pseudocode, which occupies over 20 columns of the specification of the '081 patent. *A178-88.*

[12] The D-VMS Brochure, the User's Guide, and the 1981 Probe Paper, taken together, *totaled* only 35 pages.

V. The District Court's Finding of Inequitable Conduct

Gilbarco sued Octel and several of its customers for infringement of the '081 patent in 1994 in the District of Colorado. *A19-42; A39.* Jurisdiction was based on 28 U.S.C. § 1338. The case was subsequently transferred to the Northern District of California, *A22; A42*, and trial was set for March 1996.

Shortly before trial, Octel moved for summary judgment that the claims of Gilbarco's patent are unenforceable due to inequitable conduct committed during prosecution.[13] Gilbarco counter-moved for summary judgment on that issue. *A27; A29.* Octel alleged that Dr. Lotito had committed inequitable conduct by withholding information and documents[14] that were material to the patentability of claim 1 of the '081 patent and by submitting a false inventor's declaration relating to the patentability of that claim. On deposition testimony alone, without considering *any* live testimony or conducting *any* sort of evidentiary hearing, the

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[13] An applicant is guilty of inequitable conduct before the PTO when the applicant or his attorney withholds or misrepresents material information with the intent to mislead or deceive the PTO. *Molins*, 48 F.3d at 1178. The required intent to deceive cannot be inferred from the mere failure to disclose. *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1191 (Fed. Cir. 1993); *Scripps Clinic & Research Found v. Genentech, Inc.*, 927 F.2d 1565, 1573-74 (Fed. Cir. 1991).

[14] These documents were the SPCC Proposal, the D-VMS Brochure, the User's Guide and the 1981 Probe Paper.

district court granted Octel's motion, ruling that all 74 claims[15] of the '081 patent are unenforceable due to inequitable conduct committed by Dr. Lotito during prosecution.[16] Appendix, *infra*, at 12a; *A32*.

The district court stated its belief that Dr. Lotito had committed inequitable conduct in failing to disclose the SPCC Proposal, the D-VMS Brochure, the User's Guide, and the 1981 Probe Paper to the PTO, but the court stopped short of resting summary judgment on that ground. Appendix, *infra*, at 12a. Nevertheless, the court found that Dr. Lotito was guilty of inequitable conduct -- of making a false statement with intent to deceive -- because "Dr. Lotito swore that he was not aware that a sale of the claimed invention occurred more than one year prior to the '081 application." *Id.* at 11a.

The court held that Dr. Lotito's statement was "simply false," notwithstanding the substantial evidence of record that the claimed invention had not even been completed prior to the critical date and thus could not have been "on sale" within the meaning of the patent laws. On the issue of intent to deceive, which Octel was required to establish by clear and convincing evidence, *FMC Corp. v. Manitowoc Corp.*, 835 F.2d 1411,

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[15] The district court's finding of inequitable conduct is predicated on the failure to disclose information relating to claim 1. *See, e.g.*, Appendix, *infra*, at 8a-9a. A judgment of unenforceability, however, renders all claims of a patent unenforceable where inequitable conduct is found, even with respect to one single claim. *Molins p.l.c.*, 48 F.3d at 1182

[16] Octel had argued that both Dr. Lotito and Mr. Roth had committed inequitable conduct during prosecution, but the district court limited its analysis to Dr. Lotito. Appendix, *infra*, at 10a-12a.

1415 (Fed. Cir. 1987), the court stated flatly that, in its view, "there can be no 'good faith' defense... since Dr. Lotito had intimate knowledge of the proposed sale from the outset." Appendix, *infra*, at 11a. The court thus denied Gilbarco a proper evaluation[17] of the substantial evidence demonstrating that Dr. Lotito had acted without any intent to deceive, *i.e.*, that he honestly believed that the invention had not been completed and thus, from the perspective of the PTO and under the patent laws, had not been on sale prior to the critical date.

The court of appeals affirmed without opinion and denied Gilbarco's petition for rehearing and suggestion for rehearing *in banc*.

REASONS FOR GRANTING THE PETITION

The courts below seriously departed from this Court's teachings on the standards governing summary judgment. Review should be granted to ensure that district courts and courts of appeals will faithfully adhere to, and not merely pay lip service to, this Court's jurisprudence. This is a particularly suitable case in which to administer such a corrective, for Gilbarco has been wrongfully stripped of a pioneering patent that lies at the core of the commercially important developments in voice-mail technology.

In *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), this Court held that all justifiable factual inferences must be drawn in favor of the non-movant when deciding a motion for summary judgment:

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[17] The ultimate issue of whether inequitable conduct occurred is an equitable issue to be decided by the court. *Paragon Podiatry Lab.*, 984 F.2d at 1190.

> Credibility determinations, the weighing of evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge, whether he is ruling on a motion for summary judgment or for a directed verdict. The evidence of a non-movant is to be believed, and all justifiable inferences are to be drawn in his favor.

Id. at 255; *see also Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587-88 (1986).

In *Masson v. New Yorker Magazine, Inc.*, 501 U.S. 496 (1991), this Court applied the requirement enunciated in *Anderson* that all justifiable inferences must be drawn in favor of the non-movant to reverse a grant of summary judgment that respondent had not libeled petitioner. Carefully reviewing the record, this Court listed five specific pieces of evidence from which a reasonable jury could have inferred that respondent had libeled petitioner. This case is similar.

Both libel (*Masson*) and inequitable conduct (this case) require proof of wrongful intent. In deciding such issues, the fact-finder must make credibility determinations and choose between conflicting inferences which can be drawn from the evidence. Consequently, this Court has frequently observed that, as in *Masson*, summary judgment on intent-based issues is rarely warranted. For instance, in *Poller v. Columbia Broadcasting System*, 368 U.S. 464, 473 (1962), in reversing summary judgment on an antitrust issue requiring proof of intent, this Court cautioned that "summary procedures should be used sparingly in complex antitrust litigation where motive and intent play leading roles..." *See also Hardin v. Pitney-Bowes, Inc.*, 451 U.S. 1008 (1981) (Rehnquist, J., dissenting from denial of petition for writ of certiorari) ("Summary

judgment simply may not be granted when such matters as the defendant's motive and intent are questioned."); *White Motor Co. v. United States*, 372 U.S. 253, 259 (1963).

Here, although the district court cited both *Anderson* and *Masson*, it ignored their requirements that all justifiable inferences be drawn in favor of the non-movant and that credibility determinations not be made on summary judgment. Had the district court actually followed *Anderson* and drawn all justifiable inferences in favor of the non-movant, it would never have granted summary judgment. The district court's decision should not be immunized from review merely because the court paid lip service to the relevant authorities. *See FTC v. Algoma Lumber Co.*, 291 U.S. 67, 73 (1934) (reversing decision of court of appeals which merely paid "lip service" to the proper standard of review).

In reaching its conclusion that Dr. Lotito intended to deceive the PTO, the district court again and again refused to consider the numerous reasonable inferences which can be drawn from the evidence that suggest that Dr. Lotito did not have the requisite deceptive intent. First, although there is substantial evidence that neither the D-VMS system nor the patented system was complete before the critical date (such as the testimony of Ms. Donaldson and Ms. Huxford), the district court refused to consider it. Based on the evidence that the software coding on the patented system had "barely begun" as of the critical date, it could reasonably be inferred that Dr. Lotito honestly believed that the claimed invention had not been completed and thus had not been on sale before that date. The district court incorrectly refused even to consider, let alone

draw, this important inference.[18] Indeed, the court did not address the crucial issue of completion at all.

Similarly, the district court failed to consider the favorable inference that could properly be drawn from the fact that Dr. Lotito had provided three of the disputed documents to Mr. Roth, the patent attorney.[19] The delivery of those documents strongly suggests that Dr. Lotito did not attempt to conceal any relevant information from the PTO and thus cannot easily be squared with the court's finding of an intent to deceive.

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[18] Other courts have found no intent to deceive the PTO in similar circumstances. *See, e.g., Digital Equipment Corp. v. Diamond*, 653 F.2d 701, 718-19 (1st Cir. 1981); *DeLong Corp. v. Raymond Intern., Inc.*, 622 F.2d 1135, 1146 (3rd Cir. 1980); *Huszar v. Cincinnati Chemical Works, Inc.*, 172 F.2d 6, 11 (6th Cir. 1949); *see also Allied Colloids, Inc. v. American Cyanamid Co.*, 64 F.3d 1570, 1578 (Fed. Cir. 1995) ("It is not inequitable conduct to omit telling the patent examiner information that the applicant in good faith believes is not material to patentability.")

[19] Dr. Lotito may not have turned over the fourth disputed document (the 1981 Probe Paper) to Mr. Roth. That paper, however, was merely cumulative to those that he had turned over. *See, e.g., A5002-25; A1674-84; A1424-38.* For this reason, Dr. Lotito could have had no improper motive for withholding it. *See Matsushita Elec. Indus. Co.*, 475 U.S. at 596 (absence of any plausible motive to engage in improper conduct is "highly relevant" to the question of whether a genuine issue of material fact exists as to whether a party engaged in that conduct).

Worse yet, although the district court nowhere expressly rejected Dr. Lotito's deposition testimony, it is clear that it evaluated that testimony and determined that it was not credible, in direct contravention of this Court's admonition in *Anderson*. There is no other way to reconcile its decision that there was clear and convincing evidence that Dr. Lotito intended to deceive the PTO with his unambiguous testimony that he had turned over all of his files with the intention of fulfilling his duty of disclosure. *A8521-22*.

In making these errors, the district court ignored this Court's precedent regarding summary judgment practice and instead created a conclusive presumption that "there can be no 'good faith' defense" to a charge of inequitable conduct that is based on the submission of a declaration to the PTO which *the court* determines to be false. Appendix, *infra*, at 11a. The court's decision implies that any patent may be found unenforceable on summary judgment even where, as here, there is substantial evidence that (a) the statement was true, or (b) the statement, whether true or false, was not made with an intent to deceive. Few patents are likely to pass this test. By affirming the district court's departure from proper summary judgment practice and thereby sanctioning the use of an erroneous conclusive presumption, the Federal Circuit is undermining both proper trial procedure and the integrity of the patent system.

This Court should grant this Petition to reaffirm the important principle that summary judgment may not be entered in the face of substantial evidence supporting a contrary result. In patent cases, this will have the salutary effect of ensuring that where an inventor offers substantial evidence of good faith, his patent may not be found unenforceable on the ground

that he acted with an intent to deceive without the evidence of good faith at least being considered.[20]

CONCLUSION

The Petition for a writ of certiorari should be granted.

Respectfully submitted,

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[20] These worthwhile objectives may be achieved by the Court without undertaking plenary review in this case. The errors below are obvious on the face of the record. Consequently, this is a case in which the Court's supervisory jurisdiction may appropriately be exercised, and the necessary corrective appropriately administered, via summary reversal.

APPENDIX

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

FILED FEBRUARY 15, 1996

Case No. C-94-20780-JW

GILBARCO INC.,

Plaintiff,

—VS.—

OCTEL COMMUNICATIONS CORP.,

Defendant.

ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT AND DENYING PLAINTIFF'S COUNTER-MOTION

Defendant Octel Communications Corporation's ("Defendant") motion for summary judgment based on unenforceability, as well as Plaintiff's counter-motion for summary judgment, was heard by the Court on February 9, 1996. Robert Feldman of the Wilson, Sonsini, Goodrich & Rosati law firm appeared on behalf of Defendant and Michael J. Lennon of the Kenyon & Kenyon law firm appeared on behalf of Plaintiff Gilbarco, Inc. ("Plaintiff"). Based upon all pleadings filed to date, as well as on the oral argument of counsel, the Court GRANTS Defendant's motion and DENIES Plaintiff's counter-motion, as discussed in greater detail below.

I. BACKGROUND

Defendant moves this Court for an order granting its motion for summary judgment on the basis that the patent involved in this litigation, United States Patent No. 4,625,081 ("the '081 patent"), is invalid as a matter of law as a result of inequitable conduct which occurred during its prosecution. Plaintiff filed a counter-motion for summary judgment, requesting an order that the Court dismiss Defendant's defense of unenforceability on the basis that Defendant cannot establish that the inventors intended to deceive the PTO.

The '081 patent application was filed on November 30, 1982 by three Delphi employees, Lawrence Lotito, Ann Donaldson and Theresa Huxford. The applicants then assigned their rights in the patent to Delphi and Delphi went out of business shortly thereafter. Delphi was owned by Exxon Corporation, which also owned Gilbarco, a gas pump manufacturer. When Delphi went out of business, Exxon gave Gilbarco the rights of the '081 patent. Exxon sold Gilbarco in 1987. Gilbarco filed this action in 1994.

The '081 patent was issued on November 26, 1986 and describes a computerized voice service system that utilizes telephones, telephone lines and digital storage for recording, storing and forwarding messages. The '081 patent utilizes a "message basket" system whereby each client owns a message basket which is segregated into an inbasket and outbasket section. Through the message basket, a client may retrieve messages left in its inbasket and send messages to others through its outbasket. This system is known as the Delta 2 Telephone Voice Message System.

Defendant contends that the applicants, specifically Dr. Lawrence Lotito, withheld 4 material documents from the Patent and Trademark Office ("PTO") which disclose prior art and which show that Delphi offered to sell the Delta 2 system more than one year prior to the date of the '081 application. Defendant further contends that Dr. Lotito submitted a false declaration to the PTO which indicated that he was not aware

of the withheld prior art. In fact, Dr. Lotito had authored several documents which memorialized his intimate knowledge of the withheld prior art and affirmed that he was not aware of any offers to sell the invention described in the '081 patent. Such evidence, Defendant asserts, supports a finding that Dr. Lotito intended to deceive the PTO.

Plaintiff contends that Defendant's motion for summary judgment must be denied because material issues of triable fact exist regarding the materiality of any documents which were not provided to the PTO. Plaintiff also contends that material issues of fact exist regarding whether an offer to sell the exact Delta 2 system described in the '081 patent was made one year prior to the '081 application date, whether certain documents were made available to the public and whether the Delta 2 System had even been fully developed.

At the hearing of the motions, Plaintiff also argued that Defendant could not prove by clear and convincing evidence that Dr. Lotito acted with a deceptive intent because Dr. Lotito turned over his files to the attorney, Mr. Roth, who was preparing the patent application. Plaintiff also moves for a dismissal of Defendant's defense of unenforceability.

II. LEGAL STANDARDS

A. Summary Judgment Standard

Summary judgment is proper "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). The purpose of summary judgment "is to isolate and dispose of factually unsupported claims or defenses." *Celotex v. Catrett*, 477 U.S. 317, 323-324 (1986).

The moving party "always bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of 'the pleadings, depositions, answers to interrogatories, and admissions on file, together

with the affidavits, if any' which it believes demonstrate the absence of a genuine issue of material fact." *Id.* at 323. If he meets this burden, the moving party is then entitled to judgment as a matter of law when the non-moving party fails to make a sufficient showing on an essential element of his case with respect to which he bears the burden of proof at trial. *Id.* at 322-23.

The non-moving party "must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e). The non-moving party cannot defeat the moving party's properly supported motion for summary judgment simply by alleging some factual dispute between the parties. To preclude the entry of summary judgment, the non-moving party must bring forth material facts, i.e., "facts that might affect the outcome of the suit under the governing law . . . Factual disputes that are irrelevant or unnecessary will not be counted." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). The opposing party "must do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio*, 475 U.S. 574, 588 (1986).

The court must draw all reasonable inferences in favor of the non-moving party, including questions of credibility and of the weight to be accorded particular evidence. *Masson v. New Yorker Magazine, Inc.*, 111 S.Ct. 2419, 2434-35 (1991) (citing *Anderson*, 477 U.S. at 255); *Matsushita Elec. Indus. Co. v. Zenith Radio*, 475 U.S. 574, 588 (1986); *T.W. Elec. Service v. Pacific Elec. Contractors*, 809 F.2d 626, 630 (9th Cir. 1987). It is the court's responsibility "to determine whether the 'specific facts' set forth by the nonmoving party, coupled with undisputed background or contextual facts, are such that a rational or reasonable jury might return a verdict in its favor based on that evidence." *T.W. Elec. Service*, 808 F.2d at 631. "[S]ummary judgment will not lie if the dispute about a material fact is 'genuine,' that is if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson*, 477 U.S. at 248. However, "[w]here the

record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is no 'genuine issue for trial.' " *Matsushita*, 475 U.S. at 587.

B. Inequitable Conduct Standard

If an applicant withholds material information from the PTO with the intent to acheive an allowance of the claims, an applicant may be found guilty of inequitable conduct and the patent obtained declared unenforceable. *LaBounty Mfg., Inc. V. ITC*, 958 F.2d 1066, 1070 (Fed. Cir. 1992). Inequitable conduct includes both failure to disclose material information and the submission of false information with the intent to mislead. *J.P. Stevens & Co. V. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984). Prior art is considered "material" if a reasonable Patent Examiner would likely find it important in deciding whether to allow any claim in a patent application. 37 C.F.R. § 1.56 (1982). However, the prior art need not anticipate or render obvious the claims in the application. *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1421 (Fed. Cir. 1989).

In order to obtain summary judgment in the present case, Octel must establish that an '081 patent applicant or the applicant's attorney withheld or misrepresented material prior art and did so with a deceptive intent. *J.P. Stevens & Co.*, *infra*, at 1559-60. Deceptive intent may established by circumstantial evidence. *Paragon Podiatry Lab, Inc. V. KLM Labs, Inc.*, 984 F.2d 1182, 1184 (Fed. Cir. 1993). If Octel establishes a prima facie case of inequitable conduct, the burden shifts to Gilbarco to offer material facts rebutting Octel's showing or to demonstrate a genuine issue of material fact regarding such conduct. *Id.*

III. DISCUSSION

A. Documents Withheld from PTO

Defendant contends that Plaintiff withheld 4 material documents from the PTO during the prosecution of the '081 application. The Court reviews each document below.

1. SPCC Proposal

Title 35 U.S.C. § 102(b) provides that a person shall be entitled to a patent unless the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States. The '081 patent application was filed on November 30, 1982.

In this case, Defendant contends that the '081 patent is invalid because the invention described therein was on sale in this country before November 30, 1981, a year prior to the date of the '081 application. In support of its contention, Defendant submits a document entitled "Delta 2 Communications Engine and Delphi Voice Messaging System Proposal for Southern Pacific Communications Corporation" (the "SPCC" Proposal). (See Exhibit 13 to Declaration of Irwin R. Gross). The Proposal is dated February 16, 1981.

A review of Exhibit 13 reveals that Plaintiff was offering to sell to SPCC a Delta 2 Voice Messaging System, including both the operating system software necessary to run the Delta 2 computer and the application software necessary for the voice messaging system. Exhibit 13 appears to describe a voice messaging system which appears to be identical to the voice messaging system described in the '081 patent application.

In addition, Dr. Lotito continuously reported to Delphi regarding the progress being made on the offer to sell the voice message system to SPCC from April, 1981 through July of 1981. (See Exhibits 5, 8, 10, 15 and 16). In fact, in September of 1991, Delphi accepted a check in the amount of

$250,000.00 from SPCC for purchase of the voice message system. (Exhibit 10). None of these documents were provided to or disclosed to the PTO during the '081 patent application process.

Plaintiff contends that the Court cannot grant summary judgment based on the failure to disclose the Proposal since there are material issues of disputed fact regarding the following three areas: (1) whether the Proposal was ever sent to SPCC, (2) whether the Proposal discussed a concept or an actual developed product and (3) whether the Proposal constitutes material prior art.

With respect to the first alleged point of contention, Plaintiff points out that the Proposal is stamped "DRAFT" and that both Dr. Lotito and Ms. Donaldson, both named inventors, testified that they did not recall that the Proposal had been sent to SPCC. (See Exhibits E and F to Declaration of Robert F. Perry). The deponents lack of recollection is countered, however, by the testimony of Mr. Brown, a Delphi salesman. Mr. Brown testified that the Proposal was sent. (See Exhibit I). Further, Dr. Lotito's and Ms. Donaldson's testimony does not indicate that the Proposal was NOT sent. In fact, Dr. Lotito's subsequent reports to Delphi support the conclusion that the proposal was sent, since SPCC was negotiating with Delphi for the purchase of the system. (See Exhibits 5, 8, 10, 15 and 16). Exhibits 5, 8, 10, 15 and 16 also contradict Plaintiff's contention that the voice message system described in the Proposal was merely a "concept" and was not developed.

Finally, Plaintiff contends that its expert's testimony contradicts Defendant's expert's testimony regarding whether the Proposal is material prior art, thereby creating a triable issue of fact. As Defendant aptly notes, however, Plaintiff's expert identifies only 1 difference between Claim 1 of the '081 patent and the invention described in the Proposal. That difference is that Claim 1 discloses "message forwarding notices." Plaintiff contends, however, that Claim 1 does NOT require "message forwarding notices" in its pending motion

for summary judgment on claim interpretation. Plaintiff cannot have it both ways.

In any event, the standard is not whether a particular document necessarily constitutes prior art. Rather, patent applicants are obliged to disclose to the PTO information which they are aware of which is material to the examination of the application. 37 C.F.R. § 1.56 (1982). Accordingly, the Court finds that there are no material, triable issues of fact regarding the issue of whether the SPCC Proposal constitutes an offer to sell the invention described in the '081 patent.

2. D-VMS Brochure

As noted above, Section 102(b) of Title 35 prohibits the issuance of a patent if the invention described in such patent was described in a printed publication in this or a foreign country more than one year prior to the application date. Defendant contends that in September of 1981, Plaintiff distributed its sales brochure regarding the Delta 2 voice messaging system at a trade show in San Diego. (See Exhibit 18).

Plaintiff does not dispute that such brochure was distributed, but contends that the brochure does not contain sufficient detail to constitute material prior art. Again, however, Plaintiff's contention directly conflicts with its own argument. Plaintiff argues that a 1982 Conference Paper is indisputably prior art. The brochure, however, contains more detail than the Conference Paper. Therefore, Plaintiff's contention is not supported by the record and is insufficient to create a triable issue of material fact.

3. User's Guide

Defendants also contend that Plaintiff distributed a User's Guide at the Trade Show in San Diego. (Exhibit 19). Plaintiff contends that the Guide may not have been available to the public and that, even assuming it were available, it was not detailed enough to constitute prior material art.

With respect to Plaintiff's contention that the Guide may not have been available, the Court does not find that the tes-

timony of Dr. Lotito, indicating that he does not recall if the Guide was available, creates a triable issue of material fact. (Exhibit E). Dr. Lotito testified that he did not recall, while Dr. Brown's testimony affirmatively states that the Guide was distributed. (Exhibit 31). Plaintiff's additional contention, that the Guide contains insufficient detail, has been discussed above.

4. Probe Paper

Defendants also point to the fact that Dr. Lotito was a speaker at a Voice Processing Seminar on November 4 and 5, 1981. During such seminar, Dr. Lotito distributed a paper (the "Probe Paper"), in which he described the Delta 2 Voice Message System, to the 60 or more seminar participants. The Probe Paper was not disclosed to the PTO.

Plaintiff argues that the Probe Paper is not material prior art and that another Probe Research Paper had already been provided to the PTO. As noted above, a document does not have to necessarily constitute prior art before an applicant's duty of candor arises. The 1981 Probe Paper may have constituted prior art and, therefore, should have been disclosed to the PTO. The fact that Dr. Lotito disclosed the 1982 Probe Paper does not solve the problem, since the 1982 Paper was published after the critical date here, November 30, 1981, and after the invention was completed.

B. Dr. Lotito's Declaration Submitted to the PTO

In addition to the documents described above, the Defendant also presents the Declaration of Dr. Lotito submitted to the PTO on November 30, 1982. (See Exhibit 29). The Declaration clearly and unequivocally states that the inventors, one of which was Dr. Lotito, do not know and do not believe that the claimed invention was described in any printed publication in any country more than one year prior to the application and that the claimed invention was not in use or on sale in the United States more than one year prior to the applica-

tion. As shown above, Dr. Lotito clearly knew, since he authored the documents, that the claimed invention had been described in a printed publication and was on sale more than one year prior to the date of the '081 application. Plaintiff does not contend otherwise.

C. Deceptive Intent

Based upon the foregoing, the Court finds that at least one of the applicants for the '081 patent, Dr. Lotito withheld or misrepresented material prior art or submitted a false sworn statement with a deceptive intent. *J.P. Stevens & Co. V. Lex Tex Ltd.*, 747 F.2d 1553 (Fed. Cir. 1984). In this instance, the Court finds that Dr. Lotito clearly knew of the existence of the material prior art and failed to disclose such art to the PTO. However, even assuming that Dr. Lotito did not consider such documents, which he authored, to constitute material prior art, he submitted a false, sworn declaration to the PTO. Putting aside the issue of material prior art, Dr. Lotito swore that he was not aware that a sale of the claimed invention had occurred more than one year prior to the '081 application. This statement is simply false and there can be no "good faith" defense to such statement since Dr. Lotito had intimate knowledge of the proposed sale from the outset. The record is replete with Dr. Lotito's own reports indicating the progress of the sales negotiations between Delphi and SPCC. (See Exhibits 5, 8, 10, 14, 15, and 16).

The system which was offered for sale does not have to include every element of the claimed invention. *UMC Electronics Co. V. U.S.*, 816 F.2d 647, 653 (Fed. Cir. 1987). As a person necessarily skilled in the art, Dr. Lotito certainly realized that the material which he was not supplying to the PTO was material which a reasonable examiner would consider important in deciding whether to issue the patent.

Plaintiff contends, however, that the Court cannot find a deceptive intent by clear and convincing evidence based upon the record before it because the record indicates that Dr. Lotito acted on the advice of counsel and provided all of the

documents discussed herein to counsel. The Court has reviewed the entire record, however, and does not find support in it for the contention that Dr. Lotito provided all of the documents herein to his counsel. In addition, when questioned regarding his reliance on counsel's advice, Dr. Lotito was instructed not to answer based on the assertion of the attorney-client privilege. Even assuming, for purposes of this motion, that Dr. Lotito provided all of the documents herein to his counsel, the fact remains that Dr. Lotito signed a false declaration and submitted it to the PTO.

D. Plaintiff's Counter-Motion

Since the Court grants Defendant's motion for summary judgment and finds that there was inequitable conduct before the PTO during the prosecution of the '081 patent, Plaintiff's counter-motion is DENIED.

IV. CONCLUSION

Based upon the foregoing, the Court finds that there are no material triable issues of fact and that Defendant is entitled to judgment as a matter of law on the basis that inequitable conduct occurred during the prosecution of United States Patent No. 4,625,081 which renders the patent unenforceable as a matter of law. Accordingly, the Court GRANTS Defendant's motion for summary judgment and DENIES Plaintiff's counter-motion for summary judgment.

IT IS SO ORDERED.

DATED: February 12, 1996

JAMES WARE
JAMES WARE
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

FILED FEBRUARY 15, 1996

Case No. C-94-20780-JW

GILBARCO INC.,

Plaintiff,

—VS.—

OCTEL COMMUNICATIONS CORP.,

Defendant.

JUDGMENT

Pursuant to the Court's Order Granting Defendant Octel Communications Corporation's Motion for Summary Judgment Based on Unenforceability, and Denying Plaintiff's counter-motion for summary judgment, the Court enters judgment in favor of Defendant and against Plaintiff in the above-entitled action.

DATED: February 12, 1996

JAMES WARE

JAMES WARE
United States District Judge

This is to certify that copies of this order have been mailed to:

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DATED: February 15, 1996

CLERK OF COURT

By: RONALD L. DAVIS
Ronald L. Davis
Deputy Clerk

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

FILED MAY 3, 1996

Case No. C-94-20780-JW

GILBARCO INC.,

Plaintiff,

—VS.—

OCTEL COMMUNICATIONS CORP.,

Defendant.

ORDER DENYING MOTION TO ALTER OR AMEND JUDGMENT AND GRANTING IN PART AND DENYING IN PART MOTION TO TAX COSTS

Plaintiff's Motion to Alter or Amend the Judgment entered in the above-entitled action, as well as Defendant's Motion to Review the Clerk's Taxing of Costs, was heard by the Court on May 6, 1996. Attorney Robert Tobin appeared on behalf of Plaintiff and attorney Robert Feldman appeared on behalf of Defendant. Based upon all pleadings filed to date, as well as on the oral argument of counsel, the Court DENIES Plaintiff's motion and GRANTS IN PART and DENIES IN PART Defendant's motion, as discussed below.

I. BACKGROUND

On February 12, 1996, the Court entered an order granting Defendant's motion for summary judgment in this action. The

Court's Order found that there are no material triable issues of fact and that Defendant is entitled to judgment as a matter of law on the basis that inequitable conduct occurred during the prosecution of United States Patent No. 4,625,081 which renders the patent unenforceable as a matter of law. The underlying basis for such a finding was that Dr. Lotito, the inventor of the '081 patent, had committed fraud in his patent application.

Plaintiff contends that the Court's findings and Order are erroneous because triable issues of fact exist as to whether Dr. Lotito knowingly submitted false documentation to the patent office and whether Dr. Lotito provided such documentation to his counsel, Mr. Roth. Plaintiff also contends that factual discovery regarding such issues is incomplete and requests that the judgment entered herein be vacated and that discovery be reopened to permit the record to be supplemented.

Defendant argues that Plaintiff's motion to amend or alter the judgment raises no new compelling arguments and that judgment was properly entered in this case. Defendant contends that, as a result, it is entitled to its costs as the prevailing party in this action.

II. LEGAL STANDARDS

Rule 59(e) of the Federal Rules of Civil Procedure provides that a motion to alter or amend a judgment may be made by the court to correct manifest errors of law or fact or on the basis of newly discovered evidence.

In addition, a party is entitled to an award of costs in an action for all litigation costs "reasonably necessary to the conduct of the litigation". *Bussey v. Affleck*, 225 Cal.App.3d 1162, 1167 (1990).

III. DISCUSSION

A. Motion to Alter or Amend Judgment

Plaintiff argues that the Court's Order and Judgment must be amended presumably to correct a manifest error of law or fact since no new evidence is submitted in support of the motion. In fact, the motion is more properly characterized as a motion for reconsideration since the Court has considered and rejected Plaintiff's arguments in its prior Order. The Court is not now persuaded that its prior ruling was erroneous and must be corrected.

B. Motion to Review Taxation of Costs

In reviewing Defendant's request for a review of the Clerk's Taxation of Costs, the Court finds that all costs were reasonably necessary to conduct this litigation, with the exception of the preparation of the trial exhibits. Accordingly, the Court orders Plaintiff to pay to Defendant the sum of $66,369.68 as reasonable and necessary costs in this action.

IV. CONCLUSION

Based upon the foregoing, the Court DENIES Plaintiff's motion to alter or amend the judgment in this action and to reopen discovery. The Court GRANTS IN PART and DENIES IN PART Defendant's motion to review the Clerk's Taxation of Costs in this action.

IT IS SO ORDERED.

DATED: May 2, 1996

JAMES WARE
JAMES WARE
United States District Judge

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FILED APRIL 14, 1997

96-1373

GILBARCO, INC.,
Plaintiff-Appellant,

—v.—

OCTEL COMMUNICATIONS CORPORATION,
Defendant-Appellee.

JUDGMENT

ON APPEAL from the UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA

In CASE NO(S). C94-20780

This CAUSE having been heard and considered, it is ORDER and ADJUDGED:

Per Curiam (ARCHER, *Chief Judge*, SMITH, *Senior Circuit Judge*, and NEWMAN, *Circuit Judge*):

AFFIRMED. *See* Fed. Cir. R. 36.

DATED: April 14, 1997

ENTERED BY ORDER OF THE COURT

JAN HORBALY

JAN HORBALY, Clerk

STATUTORY PROVISIONS AND REGULATIONS INVOLVED

35 U.S.C. § 102 provides in relevant part:

> A person shall be entitled to a patent unless—. . .
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States. . . .

37 C.F.R. § 1.56 (1982) provides in relevant part:

> (a) A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.
>
> (b) Disclosures pursuant to this section may be made to the Office through an attorney or agent having responsibility for the preparation or prosecution of the application or through an inventor who is acting in his own behalf. Disclosure to such an attorney, agent or inventor shall satisfy the duty, with respect to the information disclosed, of any other individual. Such an attorney, agent or inventor has no duty to transmit information which is not material to the examination of the application.

37 C.F.R. § 1.65 (1982) provides in relevant part:

> (a)(1) The applicant, if the inventor, must state that he verily believes himself to be the original and first inventor or discoverer of the process, machine, manufacture, composition of matter, or improvement thereof, for which he solicits a patent; that he does not know and does not believe that the same was ever known or used in the United States before his invention or discovery thereof, and shall state of what country he is a citizen and where he resides and whether he is a sole or joint inventor of the invention claimed in his application. In every original application the applicant must distinctly state that to the best of his knowledge and belief the invention has not been in public use or on sale in the United States more than one year prior to his application or patented or described in any printed publication in any country before his invention or more than one year prior to his application. . .

37 C.F.R. § 1.63 (1983) provides in relevant part:

> (b) In addition to meeting the requirements of paragraph (a), the oath or declaration must state that the person making the oath or declaration: (1) Has reviewed and understands the contents of the specification, including the claims, as amended by any amendment specifically referred to in the oath or declaration;
>
> (2) Believes the named inventor or inventors to be the original and first inventor or inventors of the subject matter which is claimed and for which a patent is sought; and
>
> (3) Acknowledges the duty to disclose information which is material to the examination of the application in accordance with § 1.56(a).

M.P.E.P. § 2002.01 (1982) provides:

> 37 CFR 1.56(b) makes clear that information may be disclosed to the Office through an attorney or agent of record or through a pro se inventor, and that other individuals may satisfy their duty of disclosure to the Office by disclosing information to such an attorney, agent, or inventor who then is responsible for disclosing the same to the Office. Information that is not material need not be passed along to the Office.

Rule 56 of the Federal Rules of Civil Procedure provides in relevant part:

> (c) Motion and Proceedings Thereon. The Motion shall be served at least 10 days before the time fixed for hearing. The adverse party prior to the day of hearing may serve opposing affidavits. The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages.

Supreme Court, U.S.
FILED
SEP 18 1997
CLERK

(2)

No. 97-311

In The

Supreme Court of the United States

October Term, 1996

GILBARCO INC.,

Petitioner,

v.

OCTEL COMMUNICATIONS CORP.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

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QUESTION PRESENTED

Whether the district court and the Federal Circuit properly found that Respondent Octel was entitled to summary judgment that the patent at issue is unenforceable where the clear, convincing and unrebutted evidence showed that:

(a) more than one year before the patent application was filed ("the critical date"), one of the inventors of the patent, Dr. Lotito, and his company, Delphi, conducted a sales campaign during which they offered to sell to a third party a system which admittedly contained all elements of claim 1 of the patent;

(b) prior to the critical date, Delphi published at least three other publications which also disclosed the system of claim 1;

(c) Dr. Lotito was personally aware of and/or created all of these anticipatory publications and the offer for sale;

(d) Dr. Lotito failed to disclose to the Patent Office any of these anticipatory publications or the offer for sale;

(e) Dr. Lotito submitted a declaration falsely denying the existence of these anticipatory publications and the offer for sale; and

(f) there was no evidence of Dr. Lotito's good faith.

STATEMENT PURSUANT TO RULE 29.6

Respondent Octel Communications Corp. has no parent companies[1] or subsidiaries, other than wholly owned subsidiaries.

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[1] There is a pending acquisition of Octel Communications Corp. by Lucent Technologies, Inc.

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Octel	–	Respondent Octel Communications Corp.
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Pet. App.	–	Appendix to Gilbarco's Petition filed in this Court
*A*___	–	Joint Appendix of Record filed in the U.S. Court of Appeals for the Federal Circuit (the court below)
Gilb. App. Br.	–	Gilbarco's Appellant's Brief filed in the Federal Circuit below
'081 patent	–	The patent at issue – Gilbarco's U.S. Patent No. 4,625,081
Delphi	–	Delphi Communications Corp., the former affiliate of Gilbarco which originally was assigned the '081 patent
SPCC	–	Southern Pacific Communications Corp.
Dr. Lotito	–	Larry Lotito, V.P. of Marketing of Delphi
Mr. Roth	–	Gregory Roth, Esq., the attorney who prosecuted the '081 patent

INTRODUCTION

This is a patent case in which the undisputed record demonstrates that an inventor of the patent at issue committed inequitable conduct before the Patent Office. The case concededly presents no split among the Circuits, no constitutional issues, and no unresolved issues of federal law. There is also no doubt that both the district court and the Federal Circuit recognized and applied the correct precedents from this Court in granting and affirming summary judgment. Reduced to its essence, Gilbarco's petition therefore is simply an invitation to review a fact-specific application of established summary judgment standards in a complex patent case, based on nothing more than the same unsubstantiated arguments Gilbarco already has advanced and the courts below already have rejected *four* times. This Court should reject that invitation.

First and foremost, the courts below made (and affirmed) the correct decision on the merits. Despite Gilbarco's repeated exhortations to the contrary, the *evidence* in this case was entirely one-sided and unambiguous. One of the inventors of the patent undisputedly supervised a massive effort to sell the patented invention – an effort that culminated in at least one sale more than a year before the patent application was filed. He also distributed or knew of three publications describing the patented invention, each of which was publicly circulated more than one year prior to the patent application.

Had the Patent Examiner known of either the sales efforts or the publications, the invention would have been unpatentable under 35 U.S.C. § 102(b). The inventor was

obligated to come forward with this information. But he did not. Instead, he submitted a declaration to the Patent and Trademark Office representing that he had no knowledge of the sales efforts or publications.

These documented facts establish a *prima facie* case of inequitable conduct. Yet Gilbarco never submitted *any* evidence to rebut (or create a genuine factual issue concerning) any of these facts. Instead, the inventor (and the attorney who prosecuted the patent) refused – on more than one hundred and fifty occasions – to testify as to why the publications and the sales efforts were not disclosed to the Patent Office. Indeed, so egregious (and indisputable) was the inventor's misconduct in this case that he never submitted even a conclusory declaration denying his intent to deceive the Patent Office. Accordingly, the district court properly granted and the Federal Circuit properly affirmed summary judgment.

Gilbarco's petition casts no doubt on the propriety of these decisions. Purporting to rely on this Court's decisions in *Anderson v. Liberty Lobby, Inc.* and *Masson v. New Yorker Magazine, Inc.* (which were cited below), Gilbarco essentially contends that, because this case involved inequitable conduct (and therefore issues of intent), summary judgment was *a priori* inappropriate. Such an argument, however, misstates this Court's precedents and proves far too much: where, as here, a non-movant submits *no evidence* on the issue of intent, summary disposition is inarguably appropriate.

Finally, Gilbarco criticizes the unanimous rejection of its arguments by the courts below. In effect, Gilbarco argues (as does every petitioner against whom summary

judgment has been entered) that the courts below somehow missed genuine issues of material fact. Gilbarco is wrong, and its efforts to replay its highly fact-specific arguments regarding the materiality of the withheld materials and the deceptive intent of the patent inventor do not warrant this Court's review. Accordingly, the petition should be denied.

COUNTERSTATEMENT OF THE CASE

Gilbarco's statement of the case is replete with inaccuracies and assertions that find no basis in the record. A review of the evidence, however, demonstrates a clear and convincing case of inequitable conduct.

To obtain summary judgment on this issue, Octel was required to make a threshold showing that Dr. Lotito, a co-inventor of the patent at issue (the '081 patent), (1) withheld or misrepresented material prior art, and (2) did so with deceptive intent. *See Pet. App.* at 6a; *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559-60 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).[2] In this case, the record reveals no fewer than five separate instances of inequitable conduct – an undisclosed offer for sale, three undisclosed prior publications, and a false declaration stating that all material prior art had been disclosed to the Patent Office. Any one of these is sufficient to support the decisions below and to render the '081 patent unenforceable.

[2] Dr. Lotito served both as a consultant and a fact witness for Gilbarco in this matter and received $150 for each hour he spent on the case.

Molins PLC v. Textron, Inc., 48 F.3d 1172, 1182 (Fed. Cir. 1995).

A. Undisclosed Prior Offer for Sale and Publications

More than one year prior to the filing of the '081 patent application (*i.e.*, before November 30, 1981 or the "critical date"), Dr. Lotito orchestrated and supervised a massive campaign on behalf of his employer, Delphi, to sell Delphi's Delta 2 voice messaging system. *A1258, A1262, A1114-15, A1208-09, A1216-20, A1227-31.* This system comprised the claimed subject matter of the '081 patent. *A910-34, A1460-61, A1165.*

As part of this campaign, Delphi submitted a fifty-page sales proposal to SPCC in February 1981, months before the critical date (the "SPCC Proposal"). *A1669-70.* The SPCC Proposal disclosed all of the later-claimed functions and features of the voice messaging system claimed in the '081 patent, and promised delivery of a completed system (including hardware and software) two months before the critical date, for a price of $1,989,700. *A1294, A1308.* This sales proposal and numerous other contemporaneous documents authored by Dr. Lotito himself establish beyond genuine dispute that, prior to the critical date, Delphi achieved "SALES SUCCESS," obtained an order letter from SPCC, and received a $250,000 check for the voice messaging system offered for sale in the SPCC Proposal. *A1344, A1203.*

In addition to the sales offer made to SPCC, the uncontroverted record further establishes that, prior to the critical date, Delphi and Dr. Lotito published and distributed at least three additional documents, which are known as the "D-VMS Brochure," the "User's Guide,"

and the "1981 Probe Paper." *A1133, A1414-22, A1649-50, A1136-38, A1424-38, A1099, A1440-56.* Each of these documents also disclosed the later-claimed functions and features of Delphi's Delta 2 voice messaging system. *A910-34*

It is undisputed that none of these prior art sales efforts and none of the prior art publications was ever disclosed to the Patent Examiner.

B. Materiality of Withheld Prior Art

There is also no genuine dispute that all of this withheld prior art would have been important to a reasonable examiner – *i.e.*, material – in evaluating whether to allow (at least claim 1 of) the '081 patent. *See A910-34*; 37 C.F.R. § 1.56 (1982) (Pet. App. at 20a). For example, the "Delta 2" system – the express subject of all of the withheld prior art – is mentioned seventeen times in the specification of the '081 patent itself. *A912 n.2.* And the attorney who prosecuted the '081 patent application told the Patent Office that the patented voice messaging system "is referred to as 'Delta 2.' " *A1165.* Most importantly for present purposes, however, *Gilbarco and its own expert have conceded that every element of claim 1 of the patent is found in each of these four withheld items of prior art.*[3]

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[3] Gilbarco's expert admitted in his report that each of the withheld items of prior art disclosed all but one of the elements of claim 1. *A5593-94.* In a subsequently filed motion, however, Gilbarco took the position that this allegedly missing element was *not* required by claim 1, thus confirming that each of the items of withheld prior art anticipates (*i.e.*, renders invalid) claim 1. Pet. App. at 8a-9a; *A3453a.*

In an effort to sidestep this critical concession, Gilbarco argues that there are two "factual issues" precluding a summary holding of materiality. Gilbarco is wrong on both counts.

Gilbarco first asserts that the invention was not yet "complete" at the time of the SPCC Proposal and that Dr. Lotito was therefore not obligated to disclose the offer described in the Proposal to the Examiner. This argument is without merit. An invention offered for sale need not be complete (*i.e.*, "reduced to practice") in order for the offer to constitute material prior art that must be disclosed to the examiner. *UMC Elecs. Co. v. United States*, 816 F.2d 647, 656 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988). Rather, in determining whether the SPCC Proposal "offered for sale" the detailed system that it describes, the "inquiry is whether the inventor thought he had a product which could be and was offered to customers." *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1187 (Fed. Cir. 1993); *accord Sonoscan, Inc. v. Sonotek, Inc.*, 936 F.2d 1261, 1263 (Fed. Cir. 1991).

In this case, the facts set forth in the SPCC Proposal itself definitively answer that question. According to the February 1981 Proposal, Delphi was ready, willing, and able to deliver a fully functional system to SPCC in "September 1981 [two months before the critical date] . . . [i]f a firm order is received by March 1, 1981." *A1294*. Furthermore, Gilbarco admits that Delphi (and Dr. Lotito) offered to (and did) sell a completed Delta 2 *computer* to SPCC well before the critical date, and that the Delta 2 computer itself was described – even by the

attorney who prosecuted the patent on Dr. Lotito's behalf – as prior art to the '081 patent. *A1196.*[4]

Gilbarco's next argument – that the withheld publications were not "detailed" enough to require disclosure to the Examiner – is equally unavailing. As the principal support for this position, Gilbarco argues that the number of pages included in the '081 patent application greatly exceeds the number found in each of the withheld documents. Pet. at 11 & n.12. Even if page count were the correct measure of materiality, however, Gilbarco's argument misses the mark. Gilbarco strenuously argued below that a single page, schematic diagram found in another document is "material prior art." *E.g., A7926.* But there can be no genuine dispute that the withheld publications each contained far more information about the invention claimed in the patent and the pre-critical date commercialization of the invention than does that single page diagram. *See* Pet. App. at 9a; *compare A1682 with A1414-22, A1424-38, A1450, A1453, A1455. A fortiori,* the withheld documents were sufficiently detailed to constitute material prior art.

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[4] Moreover, despite the snippets of testimony quoted out of context in the petition, the record is clear that the Delta 2 voice messaging system sold by Delphi to SPCC was complete – in all relevant respects – prior to the critical date. Gilbarco admits that the hardware and software "building block documents" of that system were completed before the critical date and that *all* that remained to be done was to translate the completed software flow charts into computer code. *Gilb. App. Br.* at 15-16. But, as the Patent Examiner ruled when he struck as "unnecessary" the final computer code from the original specification, the final written computer code plainly is *not* necessary for a "complete" description of the claimed invention. *A1627.*

Moreover, and in any event, both of Gilbarco's arguments regarding materiality depend on the unstated assumption that the withheld offer for sale and publications are material *only* if it is undisputed that they would have barred the issuance of the '081 patent. But this assumption is incorrect. Under this Court's precedent, a patent applicant has an "uncompromising duty" of candor, *Precision Instr. Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 818 (1945), and that duty requires disclosure of *any* information that a "reasonable examiner would consider . . . *important* in deciding whether to allow the application to issue as a patent." 37 C.F.R. § 1.56 (emphasis added); *accord J.P. Stevens & Co.*, 747 F.2d at 1559.

Applying this standard, Dr. Lotito obviously was required to disclose items that unquestionably would have barred patentability. But he *also* was required to disclose any "information" about documents that *may have been* prior art publications and about activities that *may have constituted* prior art offers to sell if there was a "substantial likelihood that a reasonable examiner" could conclude that such "information" could have barred patentability. It was for the Patent Examiner – not Dr. Lotito – to review such information and determine whether it constituted a bar to patentability.[5]

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[5] This is particularly true where, as here, the withheld information concerns the applicant's own pre-critical date commercial activity. Because the Patent Examiner does not have independent access to information regarding the applicant's commercial activities, it is "all the more necessary that the [applicant's product] should have been disclosed to the examiner." *LaBounty Mfg., Inc. v. ITC*, 958 F.2d 1066, 1076 (Fed. Cir. 1992).

Thus, even if Gilbarco had presented evidence making this a "close" case (which it did not), "[c]lose cases should be resolved by *disclosure*, not unilaterally by the applicant." *LaBounty*, 958 F.2d at 1076 (emphasis added); *accord Paragon*, 984 F.2d at 1193 n.10 (no genuine issue of fact as to materiality where there is a dispute concerning whether withheld information is prior art). The withheld items therefore are material as a matter of law.

C. Knowledge of Materiality and Intent To Deceive

The second element of inequitable conduct, deceptive intent, "need not, and rarely can, be proven by direct evidence." *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1422 (Fed. Cir. 1989). Instead, in most cases of inequitable conduct, the defendant establishes such intent with circumstantial evidence, demonstrating, for example, that an inventor committed an unexplained violation of the duty of candor owed to the Patent Office. *See, e.g., Paragon*, 984 F.2d at 1192.

Here, the uncontroverted record demonstrates that Dr. Lotito personally knew of and/or created each of the withheld, highly material prior art documents and was thus fully aware of and understood their contents. *See A1099, A1133-35, A1136-38, A1649-50, A1114-15.* And, as an inventor of the '081 patent, Dr. Lotito necessarily knew and understood the elements of his own invention. *See, e.g., A5536, A6807-08.* Accordingly, there can be no genuine dispute that Dr. Lotito fully appreciated what the parties agreed upon: the documents Dr. Lotito withheld from the Patent Examiner clearly disclose the elements of the Delta 2 system claimed in the '081 patent.

D. Submission of False Declaration to the Patent Office

Nevertheless, despite his intimate knowledge of both the '081 invention and the withheld prior art, Dr. Lotito submitted a declaration to the Patent Office in which he falsely swore that he did not know of any publications describing or offers to sell the claimed invention before the critical date. *A1640.*[6]

E. Gilbarco's Failure to Rebut Octel's Prima Facie Case

This record presented a *prima facie* case of inequitable conduct. Thus, when Octel moved for summary judgment, the burden shifted to Gilbarco to offer material facts rebutting Octel's showing or demonstrating a genuine dispute as to some fact material to a finding of inequitable conduct. *See* Fed. R. Civ. P. 56(e); *Celotex Corp. v.*

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[6] Reflecting the desperation underlying its petition, Gilbarco characterizes this declaration as *"pro forma,"* attempting to downplay its significance. Pet. at 10 & n.9. In fact, however, the declaration was signed subject to penalty of perjury, and its submission to the Patent Office was an absolute prerequisite to obtaining patent protection. 37 C.F.R. § 1.65 (1982) (*see* Pet. App. at 21a). Tellingly, in its attempt to explain away Dr. Lotito's blatant misconduct in signing and submitting this knowingly false affidavit, Gilbarco cites no *evidence.* Instead, Gilbarco offers only counsel's unsupported speculation that Dr. Lotito *"could* reasonably have believed" that the invention was not on sale. Pet. at 11 (emphasis added). But evidence – not speculation – is required to defeat summary judgment. *Matsushita Electric Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 593-95 (1986).

Catrett, 477 U.S. 317, 324 (1986). Gilbarco did not offer any such evidence.

Instead, Gilbarco pursued a calculated strategy of invoking the attorney-client privilege (more than one hundred and fifty times), to leave the record barren of any evidence that Dr. Lotito had *any* basis, much less a good faith basis, for withholding the prior art and submitting a false declaration. In particular, Gilbarco instructed Dr. Lotito *not* to testify about *whether* he disclosed to, or discussed with, Mr. Roth, the attorney who prosecuted the patent, any of the withheld prior art documents or pre-critical date sales activities. *A1545-46, A1103-10, A1119-22, A1125-33.* Dr. Lotito also was instructed *not* to testify about why none of the withheld documents or facts was disclosed to the Examiner. *A1128, A1130-31, A1138, A1142.* Gilbarco likewise instructed Mr. Roth (and the remaining '081 patent co-inventors) not to testify about any of the foregoing topics. *E.g., A1556-61, A1583-84, A1184-85, A1606, A1186-90, A1526-28, A1536-38, A1467-69.* By its sweeping invocation of the privilege, Gilbarco blocked all paths of inquiry, thus ensuring the complete absence of any evidence concerning Dr. Lotito's supposed good faith in withholding the highly material prior art and in submitting a false declaration.[7]

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[7] Indeed, so pervasive was Gilbarco's invocation of the privilege that the witnesses were instructed not to make even a conclusory statement denying that they intended to deceive the Patent Examiner by withholding the prior art discussed above. *E.g., A1580-81, A1585, A1599-1600, A1606, A1608-10, A1611-12, A1176-78, A1186, A1187-89.*

As below, Gilbarco's petition seeks to paper over this gaping void in the record with rank speculation. For example, Gilbarco repeatedly asserts that Dr. Lotito gave the withheld documents to the attorney (Mr. Roth) who prosecuted the '081 patent. For that assertion, Gilbarco relies principally on Dr. Lotito's statement that he "turned over to [the attorneys] all the files [he] had." *A8052*. But when asked whether he gave Mr. Roth the four documents actually at issue in this case (the SPCC Proposal, D-VMS Brochure, User's Guide, and Probe Paper), *Dr. Lotito wouldn't answer*. *A1545-46, A1103-10, A1112, A1117, A1119-22, A1125, A1132*. And to the extent there is any *evidence* in the record at all on this subject, that evidence indicates that Dr. Lotito hid the documents not only from the Patent Examiner but from Mr. Roth as well. More specifically, Gilbarco admits that, despite supposedly giving Mr. Roth "all" of his files, Dr. Lotito did *not* give him at least one of the four pieces of withheld prior art. *See* Pet. at 9 (failing to list 1981 Probe Paper). And Dr. Lotito himself testified "I just don't recall today what was exactly in those files . . . and things could have been removed or for whatever reason." *A1141*.[8]

Furthermore, as with its arguments regarding materiality, Gilbarco's contentions regarding the transfer of

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[8] Left by its own stratagem with no evidence, Gilbarco turns to unsupported assertions concerning a letter written by Mr. Roth seven years after the patent issued. Pet. at 8 & n.7. But that letter does not identify *any* of the four items of withheld prior art and therefore sheds no light on the questions of whether Dr. Lotito gave any documents to Mr. Roth at the time of the patent prosecution (seven years earlier) and if so, which ones. *A8069*.

documents to Mr. Roth rest on an unarticulated (and incorrect) assumption. In particular, Gilbarco's argument seeks to equate the supposed transfer of documents to Mr. Roth with the speculative assumption that Mr. Roth might have rendered legal advice to Dr. Lotito, justifying Dr. Lotito's misconduct. But there is not even a scintilla of evidence to support this speculative assumption because Gilbarco deliberately and repeatedly refused to allow either Dr. Lotito or Mr. Roth to reveal (1) whether Mr. Roth gave Dr. Lotito any legal advice about the withheld prior art, (2) what that advice was, (3) whether Dr. Lotito followed it, and even (4) whether there was an intent to deceive the Patent Office. *See, e.g., A1130-31, A1138, A1142, A1187.*

Faced with this record, the district court properly relied upon and applied this Court's precedents in granting summary judgment. *See* Pet. App. at 4a-6a (citing *Celotex, Anderson, Matsushita* and *Masson*). On appeal, the Federal Circuit evaluated the district court's analysis and found Gilbarco's arguments so unpersuasive that it affirmed without written opinion. *See* Pet. App. at 19a.

REASONS FOR DENYING THE WRIT

The sole basis for Gilbarco's petition is that the courts below misapplied this Court's well established summary judgment standards not once but *four* times.[9] On its face,

[9] The district court rejected the arguments raised by Gilbarco's petition (as well as a half dozen others Gilbarco has now abandoned) both at summary judgment and on Gilbarco's

such an argument presents no ground for review. Indeed, this Court has made clear that "[a] petition for a writ of certiorari is *rarely granted* when the asserted error consists of . . . the misapplication of a properly stated rule of law." Sup. Ct. R. 10 (emphasis added). Gilbarco has made no showing that such exceptional treatment is required in this case. To the contrary, a host of factors militate against a grant of review.

First, the courts below are abundantly familiar with this Court's summary judgment precedents. Both the district court and the Federal Circuit regularly interpret and apply the standards articulated in those precedents. *See, e.g., General Teamsters, Warehousemen & Helpers Union, Local 890 v. National Refractories & Minerals*, No. 93-20285 SW, 1993 WL 248696 (N.D. Cal. June 25, 1993) (Ware, J.) (granting plaintiff's summary judgment motion), *aff'd*, 48 F.3d 1227 (9th Cir.), *cert. denied*, 116 S. Ct. 181 (1995); *Yin v. State of California*, No. C94-20116 JW, 1994 WL 594043 (N.D. Cal. Oct. 21, 1994) (granting defendants' motions for summary judgment), *aff'd*, 95 F.3d 864 (9th Cir. 1996), *cert. denied*, 117 S. Ct. 955 (1997); *Sinskey v. Pharmacia Ophthalmics, Inc.*, 982 F.2d 494, 496 (Fed. Cir. 1992) (affirming summary judgment of invalidity of patent), *cert. denied*, 508 U.S. 912 (1993); *Mark I Marketing Corp. v. R.R. Donnelly & Sons Co.*, 66 F.3d 285, 289 (Fed. Cir. 1995) (affirming summary judgment for defendant in patent suit), *cert. denied*, 116 S. Ct. 917 (1996).

Rule 59(e) motion to alter. *See* Pet. App. at 2a-17a. The Federal Circuit considered and rejected the same arguments on the merits, and then declined (without any dissent) to reconsider or rehear the case *in banc*. *See* Pet. App. at 18a-19a.

Both courts likewise plainly understand – despite Gilbarco's suggestion to the contrary – that they may not make credibility determinations on summary judgment. *See e.g., Lifescan, Inc. v. Can-Am Care Corp.*, 859 F. Supp. 392, 395-96 (N.D. Cal. 1994) (Ware, J.) (denying in part summary judgment of patent infringement on issue of consumers' understanding); *Albert v. Kevex Corp.*, 729 F.2d 757, 762-63 (Fed. Cir. 1984) (reversing summary judgment due to factual issue on fraudulent intent).[10] As described above, both courts correctly analyzed the record, applied this Court's standards, and reached the same conclusion: Gilbarco failed to produce any evidence sufficient to create a triable issue of fact.

Second, the decision in this case pertains to an issue exclusive to patent law, and this Court repeatedly has indicated that the Federal Circuit is uniquely qualified to apply and refine the Court's general standards in the patent-specific context. *See, e.g., Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 117 S. Ct. 1040, 1053 (1997) (leaving "it to the Federal Circuit how best to implement procedural improvements to promote certainty, consistency, and reviewability to this area of the law").

With respect to inequitable conduct, the Federal Circuit has proven itself capable of applying this Court's standards, denying summary judgment where the record presented a genuine factual issue. *See, e.g., KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1577 (Fed. Cir.

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[10] Thus, for example, the Federal Circuit repeatedly has demonstrated the appropriate degree of caution in granting summary judgment in patent cases. *See, e.g., Baker Oil Tools, Inc., v. Geo Vann, Inc.*, 828 F.2d 1558, 1562-65 (Fed. Cir. 1987).

1985). However, in appropriate cases, the Circuit has applied those same standards to hold patents unenforceable as a matter of law. Indeed, on facts similar to (albeit less extreme than) those presented in this case – including undisclosed commercial sales and the submission of false affidavits – the Federal Circuit has properly affirmed summary judgment of inequitable conduct. *Paragon*, 984 F.2d at 1193.

Third, the decisions below are based heavily on the unique factual circumstances of this case – circumstances that are very unlikely to be repeated in future cases. As described in the *Counterstatement*, *supra*, the grant of summary judgment here was based both on a *prima facie* case of inequitable conduct *and* the failure by the inventor of the patent at issue to provide *any* explanation whatsoever for his misconduct. Thus, to the extent that the unpublished decisions below could impact the decision of future cases, that impact likely would be limited to those actions in which a patent holder responds to a serious charge of fraud by submitting *no evidence* from the patent inventor *and* blocking all other means of inquiry into that subject by the accused infringer. Such a narrowly circumscribed class of cases (this is the only such case of which Respondent is aware) does not merit this Court's review.

Fourth, the necessary implication of Gilbarco's arguments is that this Court should craft a special "exception" to its general summary judgment jurisprudence for cases involving intent, essentially precluding summary

disposition of such cases. But this is not the law.[11] To support its untenable position, Gilbarco relies principally on *Poller v. Columbia Broadcasting System, Inc.*, 368 U.S. 464, 473 (1962). This reliance is misplaced. As this Court made clear in *Anderson*, even where intent is at issue, "[w]e do not understand *Poller* . . . to hold that a plaintiff may defeat a defendant's properly supported motion for summary judgment . . . without offering any concrete evidence from which a reasonable juror could return a verdict in his favor." 477 U.S. at 256-57.[12]

Gilbarco's petition essentially concedes that it failed to produce any evidence of Dr. Lotito's actual state of mind. *See* Pet. at 16. In place of such evidence, Gilbarco asks the Court – despite the overwhelming and uncontradicted evidence of deceptive intent – to indulge Gilbarco in a host of unsupported "inferences" about what Dr. Lotito "could" have believed when he failed to disclose the withheld prior art and submitted his false declaration.

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[11] *Celotex*, 477 U.S. at 327 ("Summary judgment procedure is properly regarded not as a disfavored procedural shortcut, but rather as an integral part of the Federal Rules as a whole, which are designed 'to secure the just, speedy and inexpensive determination of every action.' ") (citations omitted).

[12] *Poller* is also factually inapposite. In that case, the Court held that "summary procedures should be used sparingly in complex antitrust litigation where motive and intent play leading roles, the proof is largely in the hands of the alleged conspirators, and hostile witnesses thicken the plot." 368 U.S. at 473. Here, by contrast, the relevant evidence was entirely in Gilbarco's hands: Dr. Lotito worked throughout the case as Gilbarco's paid consultant. Yet Gilbarco *still* failed to produce any evidence (even a sworn affidavit) testifying to Dr. Lotito's (supposed) good faith.

See Pet. at 16-18. But such "inferences" are not based on "concrete evidence," and they are not the stuff of which a reasonable jury verdict is made. Rather, Gilbarco's arguments are simply the speculation of Gilbarco's counsel about what might have happened and why Dr. Lotito might have engaged in his pattern of misconduct – speculation that, as discussed above, is squarely contradicted by the record. On these undisputed facts, the courts below properly rejected the speculations of Gilbarco's counsel and granted summary judgment. *See, e.g., First Nat'l Bank v. Cities Serv. Co.*, 391 U.S. 253, 288-90 (1968).[13]

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[13] Nor did either court below, as Gilbarco argues, ignore evidence or create any "conclusive presumption." To the contrary, as review of the district court's opinions reveal, the court carefully considered and analyzed *all* of the evidence and reached the correct conclusion compelled by that evidence: Dr. Lotito committed inequitable conduct and the '081 patent is therefore unenforceable as a matter of law. *See, e.g.*, Pet. App. at 2a, 15a.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.[14]

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[14] In a final footnote, Gilbarco suggests that this Court summarily reverse the decision below. Given the correctness of the rulings, any such exercise of this Court's supervisory jurisdiction would be manifestly inappropriate. Indeed, in light of its own argument that the courts below erred by "failing to consider" certain of Gilbarco's "evidence," it is ironic – and indicative of the petition's lack of merit – that Gilbarco would even suggest reversal by this Court without consideration of *any* of the voluminous evidentiary record.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

GILBARCO INC.,
Petitioner,

— v. —

OCTEL COMMUNICATIONS CORP.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY OF THE PETITIONER

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REPLY OF THE PETITIONER

Octel's Brief in Opposition obscures the issue actually before the Court. The courts below declared Gilbarco's pioneering voice mail patent unenforceable based upon the district court's finding, made on summary judgment, that one of the inventors, Dr. Lotito, made a false declaration to the PTO with intent to deceive:

> Dr. Lotito swore that he was not aware that a sale of the claimed invention had occurred more than one year prior to the '081 application. This statement is simply false and there can be no "good faith" defense to such statement since Dr. Lotito had intimate knowledge of the proposed sale from the outset.

Appendix at 11a. The court made this finding in the face of substantial evidence that Dr. Lotito believed his declaration to be true.

Octel does not come to grips with the lower courts' obvious and improper departure from this Court's summary judgment teachings. Instead, Octel fills its brief with factual allegations pertaining to the materiality of certain prior art -- allegations that, in the end, played no role in the district court's finding of deceptive intent. These allegations, at this stage of the case, are nothing more than red herrings.

On the issue actually presented by the case, Octel in effect argues that the district court was entitled to weigh the evidence like a jury and to refuse to draw reasonable inferences from the evidence favorable to Gilbarco. Br. in Opp. at 10, 17-18. Octel claims this novel approach to summary judgment was warranted because there was no evidence from Dr. Lotito showing his good faith. Br. in Opp. at 2. That claim is wrong, but it highlights the "certworthiness" of the case. There is and

should be no special rule permitting wrongful intent to be found on summary judgment in the face of substantial evidence supporting inferences to the contrary, merely because there was no testimony directly and explicitly addressed to the declarant's state of mind. Resolving questions of intent will *always* require choosing between conflicting inferences, and evaluating the credibility of witnesses. Indeed, it is for this very reason that summary judgment on issues involving intent is so rarely appropriate, as this Court has frequently observed.

I. There Was Substantial Evidence of Dr. Lotito's Good Faith

There was substantial evidence that Dr. Lotito did not intend to deceive the PTO. Dr. Lotito himself gave clear and unambiguous deposition testimony that he did not offer a product for sale before the critical date because he "didn't have any product to offer." *A8504; see also A8499-501*. From this testimony, it is reasonable to infer that Dr. Lotito believed that the statement in his declaration that the patented invention had not been "on sale" was true.[1]

There was also the testimony of Ms. Donaldson that the writing of the software code for the patented invention had just

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[1] Octel points out that in 1987 the Federal Circuit held that an invention may be "offered for sale," within the meaning of the patent laws, before it is reduced to practice. Br. in Opp. at 6. But that has no bearing on the issue of intent. In 1982, at the time Dr. Lotito submitted his declaration, a reduction to practice was required in order for a product to be "on sale." *Austin v. Marco Dental Products, Inc.*, 560 F.2d 966, 970 (9th Cir. 1977), and Dr. Lotito believed that Delphi "didn't have any product to offer" at that time. *A8504; see also A8499-501*.

"barely begun" as of the critical date, *A3674*, and that a significant amount of coding was still being done right before the May 1982 trade show. *A3676-77*. This evidence shows that the patented invention was not operable until May 1982,[2] from which it is also reasonable to infer that Dr. Lotito believed that the patented invention was not complete and thus not "on sale" before that date.[3]

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[2] In arguing that the patented invention was complete before November 30, 1981, Octel relies heavily on the statement in the SPCC Proposal that delivery of a system to SPCC would be scheduled for September 1981 if a "firm order" was received by March 1, 1981. Br. in Opp. at 6; *A1294*. However, all this statement shows is that Delphi believed it would be able to build a system by September 1981 *if it received a "firm order" from SPCC*. Since it did not receive such an order, the system was not completed before the critical date.

[3] That Dr. Lotito could reasonably have believed that the patented invention was not "on sale" before the critical date is illustrated by the recent decision in *Robotic Vision Systems v. View Engineering, Inc.*, 112 F.3d 1163 (Fed. Cir. 1997). In that case, the Federal Circuit held that a computerized system for inspecting semiconductor chips could not have been "on sale" until software used in the system was "workable," because the software was "necessary for the operation of the invention" even though it was not claimed. *Id.* at 1167. Similarly, here the software necessary for the operation of the patented invention was not workable until well after the critical date, and thus Dr. Lotito could reasonably have believed that the invention was not "on sale" at that time.

Thus, contrary to Octel's assertions, there clearly was substantial evidence that Dr. Lotito did not have the requisite intent to deceive the PTO. Unfortunately, the district court refused to consider this evidence, because it believed that "there can be no 'good faith' defense." Appendix at 11a. This categorical refusal to consider the evidence supporting Gilbarco was clear error, and warrants reversal.

II. Allegations of Wrongful Intent May Be Rebutted Without Testimony from the Alleged Wrongdoer

Octel points out that Gilbarco's refusal to waive the attorney-client privilege precluded Dr. Lotito from testifying directly concerning his good faith. Br. in Opp. at 11. Octel argues that the absence of such testimony was fatal. *Id.* at 13. However, the necessary implication of this argument is that the only "evidence" which is sufficient to avoid summary judgment that a party acted with a wrongful intent is testimony from the alleged wrongdoer himself that he actually acted in good faith. That is the evidence which Octel claims is "missing" here due to the assertion of privilege.

The rule propounded by Octel, and followed by the courts below, is perverse: it would force all patent owners to waive the attorney-client privilege in order to avoid summary judgment of inequitable conduct. This clearly should not be the law. As Octel itself asserts, one can establish deceptive intent based solely on reasonable inferences drawn from the record. Br. in Opp. at 9. In the same way, one should be permitted to establish good faith based on circumstantial evidence. Simply

stated, direct testimony is not a prerequisite to a finding of good faith.[4]

Indeed, the resolution of intent-based issues will always require drawing inferences from the record. "[D]etermination of someone's state of mind usually entails the drawing of factual inferences as to which reasonable men might differ -- a function traditionally left to the jury." 10A Charles Alan Wright et al., Federal Practice and Procedure § 2730, p. 238 (2d ed. 1983). Where the permissible inferences are conflicting, as is often the case, summary judgment is inappropriate.

This is true even where the parties do not dispute the historical facts, but disagree only about the inferences to be drawn from those facts. *Warrior Tombigbee Transp. Co., Inc. v. M/V Nan Fung*, 695 F.2d 1294 (11th Cir. 1983). However, this does not mean that different standards apply in deciding whether summary judgment on an intent-based issue is appropriate, but only that it is more difficult to meet those standards when intent is involved, as this Court has often

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[4] Not only is direct testimony of the inventor not necessary to show good faith, it may not even be particularly probative on that issue. *See Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1191 (Fed. Cir. 1993).

indicated.[5] This is especially true where, as here, Octel was required to meet a clear and convincing evidentiary standard.[6]

In any case involving intent issues, questions about the propriety of summary judgment are likely to arise. For this reason, this Court should grant the Petition and reaffirm the important principle that, contrary to Octel's assertions and the holdings below, wrongful intent may not be found on summary judgment in the face of substantial evidence supporting the contrary inference.

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[5] *Harlow v. Fitzgerald*, 457 U.S. 800, 816 (1982) ("questions of subjective intent so rarely can be decided on summary judgment"); *Hutchinson v. Proxmire*, 443 U.S. 111, 120 n.9 (1979) ("The proof of 'actual malice' calls a defendant's state of mind into question... and does not readily lend itself to summary disposition."); *see also Hardin v. Pitney-Bowes, Inc.*, 451 U.S. 1008 (1981) (Rehnquist, J., dissenting from denial of petition for writ of certiorari); *White Motor Co. v. United States*, 372 U.S. 253, 259 (1963); *Poller v. Columbia Broadcasting System*, 368 U.S. 464, 473 (1962).

[6] *See Allied Colloids Inc. v. American Cyanamid Co.*, 64 F.3d 1570, 1578 (Fed. Cir. 1995) (inequitable conduct must be proven by clear and convincing evidence); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) ("clear-and-convincing standard of proof should be taken into account in ruling on summary judgment motions").

CONCLUSION

The Petition for a writ of certiorari should be granted.

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